



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL AND GAS

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November 16, 2015

G. Scott Pfoff
President
Aurora Exploration, LCC
4645 Sweetwater Boulevard, Suite 200
Sugarland, Texas, 77479

RE: LOCI 15-002, Aurora Exploration, LLC, Theodore River #2 and Chedatna Lakes #1, Natural Gas Exploration Program Lease Plan of Operations Decision Exploration Phase.

Dear Mr. Pfoff:

I. INTRODUCTION

On August 19, 2015 Aurora Exploration, LCC (applicant) submitted a request to the Division of Oil and Gas (Division) for approval of a Lease Plan of Operations (Plan) to carry out the Theodore River #2 and Chedatna Lakes #1, Natural Gas Exploration Program on ADL's 391618 and 391878 respectively. The Theodore River #2 and Chedatna Lakes #1, Natural Gas Exploration Program is approximately 13 miles northeast of the Beluga River air strip. Approval of this Plan, along with approvals from other state and federal agencies (Agencies), is necessary for Aurora Exploration, LCC (Aurora) to carry out the Theodore River #2 and Chedatna Lakes #1, Natural Gas Exploration Program. Any further exploration is subject to further review and approval by the Department of Natural Resources (DNR).

II. SCOPE OF DECISION

The DNR Commissioner has delegated authority for approval of Lease Plan of Operations activities to the Division under Department Order: 003 in accordance with Alaska Statute (AS) 38.05 and 11 Alaska Administrative Code (AAC) 83.158. As set forth below, the Division has evaluated the proposed Plan to determine if sufficient information as required by 11 AAC 83.158 is provided. In approving a Plan, the Division may require amendments that it determines are necessary to protect the State's interests (11 AAC 83.158(e)).

The Aurora natural gas exploration program involves drilling two gas wells and construction of two temporary drilling pads adjacent to the Beluga Highway within the Susitna Flats State Game Refuge (SFSGR). The Theodore River #2 pad will be constructed immediately adjacent to the existing Beluga Highway, hence, no access road will be required. This site is being proposed as a temporary matted and/ or gravel fill pad depending on geotechnical soil results. Additionally, the pad will be designed for a minimal footprint by proposing to also using a nearby existing Lewis River pad for staging supplies and drilling wastes. The Chedatna Lakes #1 well site will be

located northeast off the Beluga Highway approximately one mile from the Lewis River D Pad. Off road travel for the Chedatna Lakes #1 well will adhere to the goals and principles laid out in the SFSGR management plan. Aurora will utilize existing Cook Inlet west side infrastructure whenever possible during the project. These resources will include gravel roads, airstrips, barge landings, landfills, water supplies, heavy equipment and personnel.

Other authorizations required for the Natural Gas Program include a Special Area Permit within the SFSGR from the Alaska Department of Fish and Game, Division of Habitat for the activities referenced above.

III. LAND STATUS

The project area is comprised of state lands.

- A. Division's Leased Lands: This section refers to Division managed oil and gas leases regardless of ownership of overlying surface lands.

Oil and Gas Lease: 391620

Oil and Gas Mineral Estate Lessee(s): Aurora Exploration, LLC

Surface Ownership and Access Agreement: State of Alaska, Oil and Gas Lease 391620

Special Use Lands: None identified.

Jointly Managed Lands: DNR and SFSGR

Other Considerations: None identified.

Project Components	Meridian, Township, Range, & Section(s)	GPS Coordinates
Theodore River #1 Well Pad	Seward Meridian T 14N, R 9W Sec. 22	61' 17' 26.61899'-1 50' 52' 13.45645'(NAD 27)

Oil and Gas Lease: 391878

Oil and Gas Mineral Estate Lessee(s): Aurora Exploration, LLC

Surface Ownership and Access Agreement: State of Alaska, Oil and Gas Lease 391878

Special Use Lands: None identified.

Jointly Managed Lands: DNR and SFSGR

Other Considerations: None identified.

Project Components	Meridian, Township, Range, & Section(s)	GPS Coordinates
Chedatna Lakes #1 Well Pad	Seward Meridian T 15N, R 9W Sec. 36	61' 21' 04.82640"-150' 49' 05.48330' (NAD 27)
Chedatna Lakes matted ice/snow trail	Seward Meridian T 15N, R 9W Sec. 36	N/A see map.

Oil and Gas Lease: 058798

Oil and Gas Mineral Estate Lessee(s): Hilcorp

Surface Ownership and Access Agreement: State of Alaska. Aurora is seeking formal land use agreements with Hilcorp to secure use of Hilcorp's surface improvements

Special Use Lands: Susitna Flats State Game Refuge

Jointly Managed Lands: DNR and SFSGR

Other Considerations: Parties operating on or adjacent to the Lewis River Pad D:

Exploration well sites drilled in late 1970's by Union Oil Company are in the vicinity of the staging/support pad for the Chedatna Lakes #1 well site. The administrative record for the wells are under LAS 16897, LAS 15662 and LAS 15264.

TWUP A2011-85 issued to Hilcorp for water withdrawal.

ADL 033939 – Public Easement issued to Hilcorp for a gas pipeline.

ADL 229279 – Private Easement issued to Hilcorp for a road.

Project Components	Meridian, Township, Range, & Section(s)	GPS Coordinates
Lewis River Pad D Staging Area	Seward Meridian T 15N, R 9W, Sec. 35	61 ' 20' 55.7315'-150' 50' 26.3545'
Chedatna Lakes matted ice/snow trail	Seward Meridian T 15N, R 9W, Sec. 35	N/A see map.

- B. State of Alaska Surface Lands: This section refers to State owned surface lands where no Division managed oil and gas lease exists.

Not applicable for this project.

- C. Private Lands: This section refers to areas where the State does not own the surface land and no Division managed oil and gas lease exists.

Not applicable for this project.

IV. PROPOSED OPERATIONS

The Plan describes the proposed operations in full detail. Set forth below is a summary of the key details. All dates are approximate and may be altered by weather or logistical requirements. The dates will also change because some of them precede this decision. The Division reviewed this schedule with the expectation that dates early in the sequence would be altered as they have passed. Changes to the sequence and schedule of events will be reviewed by the Division prior to implementation in the field.

A. Sequence and Schedule of Events

Project Milestone #	Project Milestone	Proposed Start Date	Proposed End Date
1	Commence construction on Theodore River #2 Pad	9/15/2015	9/30/2015
2	Drilling of Theodore River #2 Well	10/1/2015	11/15/2015

3	Prepack snow route to Chedatna Lakes #1 and pad	11/1/2015	12/1/2015
4	Theodore River #2 well completion	11/15/2015	11/30/2015
5	Theodore River #2 site demobilization	11/15/2015	12/15/2015
6	Construct snow/ice trail to Chedatna Lakes from Lewis River Pad D and construct snow/ice pad with excavated/gravel fill	12/1/2015	12/15/2015
7	Mobilize drill rig to Chedatna Lakes #1 pad	12/15/2015	12/31/2015
8	Drilling of Chedatna Lakes #1 well	12/31/2015	2/15/2016
9	Chedatna Lakes #1 well completion	2/15/2016	2/29/2016
10	Demobilization of Chedatna Lakes and Removal of Pads at Chedatna Lakes and Theodore River #2	3/1/2016	3/31/2016

B. Well Sites

A fall program will be implemented at the Theodore River #2 well site within the SFSGR. Pad construction will either include placement of composite mats directly on the ground surface or, in the case of insufficient soil competency or low terrain such as the depression at the east end of the site, placement of two layers of geotextile fabric with one to three feet of gravel fill placed on top. This site is preferable for fall operations because drilling can occur from a pad constructed immediately adjacent to the existing Beluga Highway, requiring no access road. The pad is proposed to be supported by a nearby existing Lewis River pad for staging supplies and drilling wastes. The Theodore River #2 well site is planned to measure 270-feet by 250-feet with a footprint occupying approximately 1.50 acres which will enable the drill rig weighing approximately 88,550 lbs (rated to 8,000 feet of depth) to drill a well using 3.5 inch diameter pipe.

A winter program will be implemented at the at the Chedatna Lakes #1 well site. The Chedatna Lakes #1 well pad is within the SFSGR and will be appropriately permitted with ADFG and USACE. To minimize ground disturbances an ice/snow pad was chosen to reduce the impacted tundra/wetland in the project area. The proposed well site is approximately one mile northeast off the Beluga Highway and a small gravel fill ramp will be used to connect the existing Lewis River D pad with a snow trail accessing the proposed Chedatna Lakes #1 well site location.

C. Buildings

There are no permeant buildings proposed to be installed for this project. Temporary facilities will be placed on both the Theodore River #2 and Chedatna Lakes #1 well pads. A small man camp (rig matted surface off the Beluga Highway) will be stationed across the road/trail at both drilling locations for fire safety reasons.

D. Fuel and Hazardous Substances

Material that may be hazardous to wildlife will be kept in drums or other secured containers, periodically inspected, and hauled to an approved disposal facility. Aurora will provide secondary containment for fuel and hazardous substances. Drilling fluids will either be injected by annular injection into an operating disposal well or they will be completely removed upon completion of drilling activities and disposed of at an approved disposal site, in accordance with 18 AAC 60.

E. Solid Waste Sites

Various wastes will be generated from drilling and non-drilling activities. Wastes will include: construction waste, solid waste such as sacks and pallets, and Resource Conservation and Recovery Act (RCRA) exempt drilling wastes such as muds and cuttings. Aurora will ensure that containment will be located more than 100 feet from a water body and more than 1,500 feet from a current drinking water source. Hazardous wastes may include batteries, glycol, and motor oil. Once the Chedatna Lakes #1 well has been drilled and remediation work begins, the geotextile fabric used to keep gravel off the vegetation mat will be delivered to the ADEC approved solid waste landfill in Beluga for disposal.

F. Water Supplies

With the exception of onsite drinking water, all construction water will be purchased commercially from Three Mile Creek Services and delivered to the site by their 5500 gallon water truck and/or withdrawn from existing Hilcorp wells.

G. Utilities

Power for the drilling rig and equipment will be supplied by use of generators at the proposed well site locations.

H. Material Sites

Gravel will be purchased commercially, so no material sites are proposed for Aurora's drilling program.

I. Roads

The Beluga Highway (a gravel road) will be used as the primary access route to the project area. The Beluga Highway is over twenty miles long and runs from through Beluga and continues northerly to the Lewis River and Stump Lake gas fields. This road has been in place for over 35 years.

J. Airstrips

Regular aviation support to the project for personnel or freight will be provided by local air services out of Anchorage, Kenai, and Nikiski. The Beluga airstrip, owned by CIRI and operated by ConocoPhillips, will be the primary airstrip used on the west side of Cook Inlet. Aurora will coordinate use of the airstrip with ConocoPhillips.

K. All Other Facilities and Equipment

The existing Lewis River D pad under ADL 058798 (operated by Hilcorp) is proposed to be used as a staging area for equipment and supplies. At this time, Aurora has not secured a surface use agreement with Hilcorp, however, negotiations are underway and Aurora will be required to have an agreement in place before commencement of surface activities occur over the leased premises.

L. Rehabilitation Plan

After completion of operations and demobilization of all equipment and supplies, rig mats and composite mats will be removed from the site using a front end loader and flatbed trucks. If gravel fill was used to build the foundation, the gravel will be inspected for contamination. After the gravel is determined to be clean, a backhoe with a smooth, cleanout type bucket will begin excavating the gravel, beginning from the farthest point of the pad away from the road. Workers/employees will assist in the excavation by visually monitoring the depth of excavation so as not to penetrate or tear the geotextile fabric. The gravel will be removed to within a few inches of the geotextile fabric. Once a strip of approximately 20 feet of gravel is removed, the edges of the outermost point of the geotextile fabric will be attached to the backhoe and pulled towards the road, folding the residual gravel on that strip back onto the remaining gravel pad surface. This process will be repeated progressively backwards towards the road until all the gravel has been removed. Contaminated gravel will be dealt with in compliance with Alaska UST regulations, 18 AAC 78.273, and Contaminated Sites Regulations, 18 AAC 75.365.

M. Operating Procedures Designed to Minimize Adverse Effects

There is insufficient time between freeze-up and spring thaw to move and operate a drilling rig between the Theodore River #2 and the Chedatna Lakes well sites for a winter drilling program. Therefore, one site has been designed as a fall program on a small temporary pad and the other site as a winter program with ice/snow facilities. The fall program will be conducted at the Theodore River #2 well site. This site is being proposed as a temporary matted and/ or gravel fill pad depending on geotechnical soil competency and terrain. This site is preferable for fall operations because drilling can occur from a pad constructed immediately adjacent to the existing Beluga Highway, requiring no additional roads. The pad will be designed for a minimal operations footprint by proposing to use the nearby Lewis River pad for staging supplies and drilling wastes.

The Chedatna Lakes #1 site is a winter drilling program because it requires off-road travel approximately one mile from the end of the Beluga Highway. A winter program at this site will allow access by utilizing all-terrain vehicles travelling on a matted snow trail. This approach will minimize potential ground disturbance while providing the necessary logistical support for Aurora's drilling operation inside the SFSGR.

In approving a Plan, DNR may require amendments necessary to protect the State's interest (11 AAC 83.158). The Division has determined that to protect the State's interest, it is necessary to incorporate into the Plan the 2009 Cook Inlet Areawide Oil and Gas Lease Sale Mitigation Measures. Aurora addressed these mitigation measures in the application process, but it is necessary to amend the Plan to make clear that the Plan incorporates the 2009 Cook Inlet Areawide Oil and Gas Lease Sale Mitigation Measures.

All plan applicants must complete a mitigation measure analysis demonstrating that each mitigation measure is satisfied or inapplicable to the proposed Plan, or that the applicant is seeking an exception. The 2009 Cook Inlet Areawide Oil and Gas Lease Sale Mitigation Measures allow for the Division to grant an exception if the applicant shows that compliance with the measure is not practicable or that the applicant will undertake an equal or better alternative to satisfy the intent of the mitigation measure. Aurora completed the mitigation measure analysis for the 2009 Cook Inlet Areawide Oil and Gas Lease Sale and no exception(s) were requested.

The Division has determined that to protect the State's interest, it is necessary to incorporate the 2009 Cook Inlet Areawide Oil and Gas Lease Sale Mitigation Measures as amendments and stipulations to this Plan (11 AAC 83.158(e)).

All applicable federal, state and local government codes and ordinances will be adhered to during the construction and operation of this project. Particular attention will be given to working within the goals and principles laid out in the SFSGR Management Plan. Additionally, prior to operations Aurora will submit a Wildlife Interaction Plan to ADFG for approval. Some specific stipulated concerns to be included are wildlife interactions, aircraft restrictions and vehicle access restrictions. Aurora will follow these restrictions, and any deviations must be pre-approved and permitted by ADFG. Construction of the project facilities and siting of the drilling rig will follow best available practices and technologies. Construction of ice road access is subject to the Susitna Flats State Game Management Plan and ADFG's Special use permits for the project area.

N. Phased Evaluation

This Plan is the beginning of Aurora's exploration phase for ADL's 391620 and 391878. The Plan addresses exploration activities for drilling two wells. The Division considered the potential impacts of exploration on public and State interests. In the oil and gas context, the public interest includes maximizing economic and physical recovery of oil and gas resources (AS 38.05.180(a)(1)). The State has an interest in protecting the public interest, and in encouraging assessment of oil and gas resources while minimizing the adverse impacts of exploration, development, production, and transportation activities (AS 38.05.180(a)(2)). In considering potential impacts, the Division reviewed Aurora's operating procedures and projected use requirements inside the SFSGR associated with the proposed operations to weigh any adverse effects on natural resources and concurrent uses of the area.

The final finding of the Director prepared for the 2009 Cook Inlet Areawide Lease Sale follows the requirements set forth in AS 38.05.035. The operating procedures within Aurora's Plan include complying with the mitigation measures attached to the leases. These measures (2009 Cook Inlet Areawide Lease Sale) address potentially negative effects of oil and gas exploration on fish and wildlife species, habitats and their uses, on subsistence uses, and on local communities. Aurora has provided a mitigation measure analysis which is required as part of their Plan of Operations submittal.

i. Facilities impacts on the project area:

The Theodore River #2 and Chedatna Lakes #1 wells are located inside the SFSGR located between the Beluga River and Point MacKenzie on the west side of Cook Inlet.

History:

The Beluga river discovery and field development was a result of the Standard Oil's Beluga River Unit No. 1 well drilled in December 1962 into the Sterling and Beluga formations. Prior to creation of the SFSGR in 1976, the refuge had been leased for oil and gas exploration in the 60's and early 70's. ADFG was involved in the development of the Sale #49 State Oil And Gas Lease Mitigation Measures attached to the March 1988 Susitna Flats State Game Refuge Management Plan and helped shape the current 2009 Cook Inlet Areawide Lease Sale measures. The management plan prepared by ADFG states that "...the refuge encompasses approximately 300,800 acres... to ensure the protection of fish and wildlife populations."

Drilling program:

The Beluga river gas field is located about 35 air miles from Anchorage on the west side of Cook Inlet and serves utilities and industrialized consumers in Southcentral Alaska. The purpose of this exploration program is to drill and evaluate two gas wells on the west side of Cook Inlet. Aurora selected the pad locations based on several factors including the bottom-hole target of the wells, maximum use of existing roads and minimizing and avoidance of wetlands areas.

The Theodore River #2 well site is situated along a ridge between the Pretty Creek and Lewis River waterbodies east of the existing Beluga Highway. The Chedatna Lakes #1 well site lies approximately five miles to the north of the Theodore River #2 well site and about one mile north of the existing Lewis River well pad D. As described above in Section M, *Operating Procedures Designed to Minimize Adverse Effects* the exploration program has been designed as a fall/winter program to reduce damage to surface lands. Aurora is pursuing a surface use agreement with Hilcorp to store equipment on/near the project area, therefore, minimizing the foot print required to conduct the proposed natural gas exploration program. All proposed facilities are temporary in nature.

- ii. Fuel and hazardous substances potential impacts on the project area
Material that may be hazardous to wildlife will be kept in drums or other secured containers, periodically inspected, and hauled to an approved disposal facility. Additional stipulations for fuel and hazardous substances are located in ADFG's special area permits for Theodore River #2 (FH-IV-0643-SA) and Chedatna Lakes #1 (FH-IV-0644-SA) approvals. These measures are in addition to the requirements listed under Fuel and hazardous substances in the 2009 Cook Inlet Areawide Oil and Gas Lease Sale mitigation measures and will be listed under project specific stipulations below.

- iii. Habitat, Fish, Wildlife and Subsistence

Habitat

Prior to the creation of the SFSGR the project area was leased for oil and gas exploration in the 1960's and early 1970's. This area was extensively explored and found to have exploitable gas reserves. There are now five gas development units on the eastern portion of the refuge. The Theodore River #2 and the Chedatna Lakes #1 sites are located in an area of historical oil and gas exploration. Aurora will work with ADFG and the Division to identify and minimize user conflicts.

Fish

The Theodore River activity takes place approximately 4 miles from any anadromous river and should not impact commercial, subsistence, or sport fisheries in the SFSGR. The Chedatna Lakes activity takes place approximately a ½ mile from an anadromous river but occurs during winter and is not anticipated to affect commercial, subsistence, or sport fisheries in the SFSGR.

Wildlife

Moose occur throughout the refuge year round. In particular, moose calving occurs in lowland bogs beginning in May and extending through June. Aurora will not be working during this time period. The Theodore River #2 and the Chedatna Lakes #1 proposed exploration site locations will not be near rivers where moose prefer to feed and bed down. Bears are dispersed throughout the SFSGR. Neither of the two proposed exploration drill sites are located in known bear denning habitat and neither construction nor operation activities are likely to significantly disturb bears. Aurora will contact ADFG to identify any new bear dens located in or near this area prior to winter operations. There are no wildlife habitat or population enhancement projects currently being undertaken inside the refuge. There are no known organized tours/trips to the refuge specifically for the purpose of bird watching or other non-consumptive wildlife viewing.

Subsistence

The Theodore and Lewis rivers have historically contributed to a subsistence fishery, a commercial setnet fishery (northern district), and a sport fishery for Chinook salmon. From 1984 to 1989 the harvest averaged 1,200 Chinook salmon from the Theodore River. A steady decline in escapements as measured by aerial surveys has occurred over the past five years in both rivers. Due to these low escapements, Chinook salmon fishing in the Theodore and Lewis rivers is currently prohibited as stated in the 2013 ADFG regional operation plan for weirs on Theodore and Lewis rivers. The site will not interfere with local hunting or subsistence activities, or recreational user activities, and will be coordinated with other existing industrial operations in the area. The area has not been designated for high subsistence use.

iv. Historic or archeological sites

The Alaska State Historic Preservation Office (SHPO) was contacted about these two drilling locations and did not identify the Theodore River #2 or Chedatna Lakes #1 well site as areas important to the study, understanding, or illustration of national, state or local history or prehistory. All personnel will be apprised of the policy to report sites or artifacts of cultural or historical significance that they may encounter in the field to SHPO.

V. **CONSIDERATION OF LEASE PLAN OF OPERATIONS REQUIREMENTS UNDER 11 AAC 83.158(c-d) and 11 AAC 83.160**

A. **Full Payment of Damages to the Surface Owner 11 AAC 83.158(c)**

The State owns the surface and full payment of damages to the State are accomplished through a bond posted by the applicant discussed in subsection C below.

B. Plan Sufficiency 11 AAC 83.158(d)

A proposed plan must include statements, maps, or drawings setting forth

- (1) the sequence and schedule of operations;
- (2) the projected use requirements directly associated with the proposed operations;
- (3) plans for rehabilitation;
- (4) a description of operating procedures to prevent or minimize adverse effects on natural resources and concurrent uses of the area (11 AAC 83.158(d)).

The information in section IV. Proposed Operations, above, and additional information contained in Aurora's proposed Plan satisfy the requirements for a plan under 11 AAC 83.158(d) and thus provide the Division with sufficient information available at this time to determine the surface use requirements and impacts directly associated with the proposed operations.

C. Oil and Gas Lease Bond 11 AAC 83.160

The State owns all the surface land where the proposed Plan activities will be located. The State owns all the mineral estate the Plan proposed to explore. For the State, a lessee provides for payment of damages by posting a bond, and remains liable for full damages under the lease. Aurora is in the process of posting a bond and may not commence any operations associated with this Plan until a bond, determined to be sufficient by the Division, is submitted to and approved by the Division in accordance with 11AAC 83.158(c).

VII. CONSULTATION WITH OTHER GOVERNMENT ENTITIES

In reviewing the proposed Plan, the Division considered the fact that Aurora may require approvals from Agencies for other elements of its project. Although mentioned in the Plan and above, these aspects of the project are not operations being approved by this decision and the Division offers no opinion on whether an agency should or should not approve these activities.

In addition to considering the approvals required by Agencies as they relate to this decision, the Division provided an Agency review and comment opportunity for the activities proposed for authorization under this decision. The following government entities were notified on 8/26/2015 for comment on the Plan: Alaska Department of Fish and Game (ADFG), Alaska Department of Environmental Conservation, Alaska Oil and Gas Conservation Commission (AOGCC) and DNR: State Pipeline Coordinator's Office, Division of Mining Land and Water, Parks Land Development, USACE, NOAA, USCG, DOT, Kenai Peninsula Borough, Office of Project Management and Permitting, and Division of Oil and Gas. The comment deadline was 4:30 pm Alaska time on 9/9/2015. No Agency comments were received. The Plan was then publicly noticed.

VIII. PUBLIC NOTICE

Public notice of the Plan and opportunity to comment, per AS 38.05.035(e)(1)(c)(ii) was published in the Alaska Dispatch News and Peninsula Clarion on 9/10/15 with a deadline for comments of 10/10/2015 at 4:30 pm Alaska time. Additionally, a copy of the notice was posted on DNR's web site and faxes of the public notice were sent to the Kenai, Ninilchik and Soldotna post offices. No public comments were received by the Division.

IX. CONDITIONS OF APPROVAL

Having considered the proposed project, the Division approves the Plan as amended and modified by this decision and subject to the below conditions of approval and project specific stipulations:

To protect the State's interest, the Division finds that it is necessary to amend the Plan to incorporate the following Conditions of Approval:

1. This Plan of Operation Approval is contingent upon the Division of Oil and Gas accepting a performance bond in the amount appropriate for drilling wells before operations can commence.
2. The applicant shall defend, indemnify and hold the State of Alaska harmless from and against any and all claims, damages, suits, losses, liabilities and expenses for injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of State lands authorized under this approval by the applicant, its contractors, subcontractors and their employees.
3. The applicant shall inform and ensure compliance with any and all conditions of this approval by its employees, agents and contractors, including subcontractors at any level.
4. Unless pre-authorized by a general permit, amendments and modifications to this approval require advance notice and must be approved in writing by the DNR.
5. The Commissioner of the DNR may require that an authorized representative be on-site during any operations conducted under this approval. This stipulation is required to ensure that the Divisions of Oil and Gas and Mining, Land and Water meet their statutory responsibilities for monitoring activities taking place on State-owned lands.
6. A status report for the activities conducted under this approval must be filed with this office on May 1 and November 1 each year, from the date this approval is issued and until a final completion report is filed with the Division. If a lessee requests an assignment, a status report must also be submitted during the assignment process. Failure to file in a timely manner may result in revocation of this approval.
 - a. Each status report shall include a statement describing and map(s) depicting all operations actually conducted on the leased area as of the date the report is prepared, which includes the location, design and completion status of well sites, material sites, water supplies, solid waste lines, buildings, roads, utilities, airstrips, and all other facilities and equipment installed.
 - b. Upon completion of operations, the applicant will submit a completion report which will include all information required of a status report described in (a) above as well as a statement indicating the date of operations completion, any noncompliance with the terms of this plan approval of which a reasonable lessee would have knowledge of, clean-up activities conducted, the method of debris disposal, and a narrative description of known incidents of surface damage.
7. Notification. The applicant shall notify the DNR of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All fires and explosions must be reported to DNR immediately. The DNR 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The Department of Environmental Conservation (DEC) oil spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.
8. A certified As-Built survey of the improvement shall be provided within one year of placement of the improvement. This As-Built must be submitted in both electronic and physical format.

To protect the State's interest, the Division finds that it is necessary to amend the Plan to incorporate the following Project Specific Stipulations:

1. All containers storing or transporting hazardous materials within the SFSGR shall be fully enclosed (no open tops) and stored within secondary containment (*stipulation # 5 out of 2015 ADFG Special Area Permit FH-l 5-IV-0643-SA and FH-l 5-IV-0644-SA*).
2. Secondary containment or a surface liner must be placed under all containers or vehicle fuel tank inlets and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances. Containment (duck ponds) will be placed under any parked or idling equipment (*stipulation # 6 out of 2015 ADFG Special Area Permit FH-l 5-IV-0643-SA and FH-l 5-IV-0644-SA*).
3. Equipment and materials storage at the well site and at the staging site will be conducted in a manner that protects the site from leaking or dripping fuel and hazardous substances. Drip pans, surface liners and other acceptable mechanisms will be used as appropriate to contain drips and spillage. Spill response equipment will be on site to respond to a spill of at least five gallons (*Section VIII: Projected Use Requirements #3 Fuel and Hazardous Substances 08/19/2015 Lease plan of Operations*).
4. Aurora may not commence any operations associated with this plan until a bond, determined to be sufficient by the Division, is submitted to and approved by the Division in accordance with 11AAC 83.158(c).


X. FINDINGS AND DECISION

Having considered the proposed project and based on the foregoing discussion and consideration of issues and conditions of approval, the Division makes the following findings:

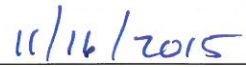
1. The Plan provides sufficient information, based on reasonably available data, for the Division to determine the surface use requirements and impacts directly associated with the proposed operations.
2. The Plan includes statements, maps, or drawings setting forth the sequence and schedule of operations, projected use requirements, description of operating procedures, and a plan of rehabilitation designed to prevent or minimize adverse effects.
3. To protect the State's interest and mitigate potential adverse social and environmental effects associated with the Plan, the Division finds it necessary to amend the Plan to incorporate the mitigation measures set forth in the 2009 Cook Inlet Areawide Oil and Gas Lease Sale Final Finding.
4. All oil and gas activities conducted under oil and gas leases are subject to numerous local, state and federal laws and regulations with which Aurora is expected to comply.
5. The people of Alaska have an interest in developing the state's oil and gas resources and maximizing the economic and physical recovery of those resources. AS 38.05.180(a).
6. Alaska's economy depends heavily on revenues related to oil and gas production and government spending resulting from those revenues. The related revenue sources include bonus payments, rentals, royalties, production taxes, income taxes, and oil and gas property taxes.
7. The potential benefits of approving this Plan outweigh the possible adverse effects, which have been minimized through imposition of mitigation measures, conditions of approval, and project specific stipulations, and thus approval of this Plan is in the State's best interest.

Based upon the Plan, supporting information provided by the applicant and the Division's review, determination of applicable statutes and regulations, consultation with other agencies, relevant entities and individuals, public comment, and the above findings related to that Plan, the Division hereby approves the Plan as modified.

Sincerely,



Kim Kruse
Permitting Section Manager
Division of Oil and Gas



Date

Appeal

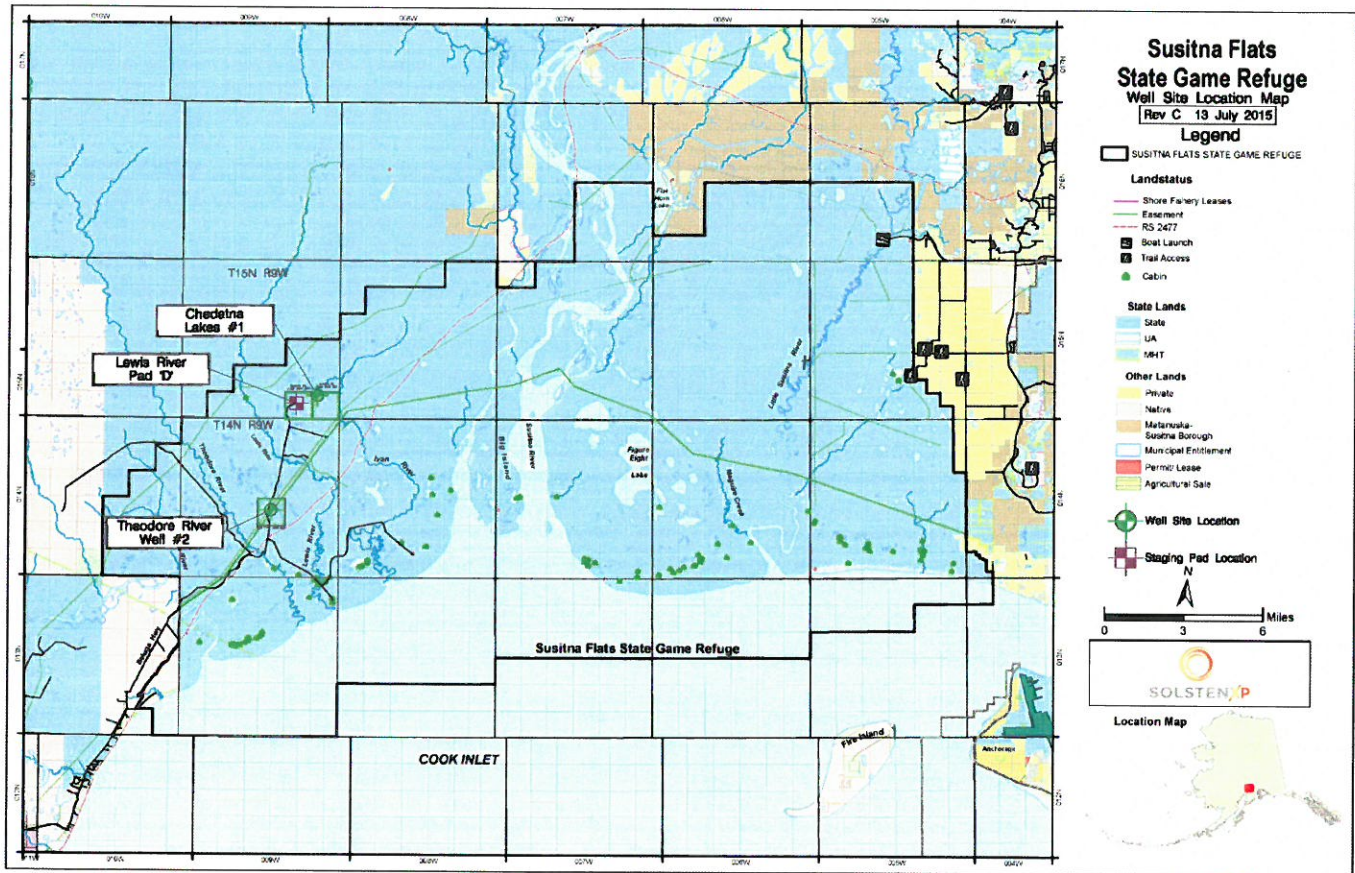
An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

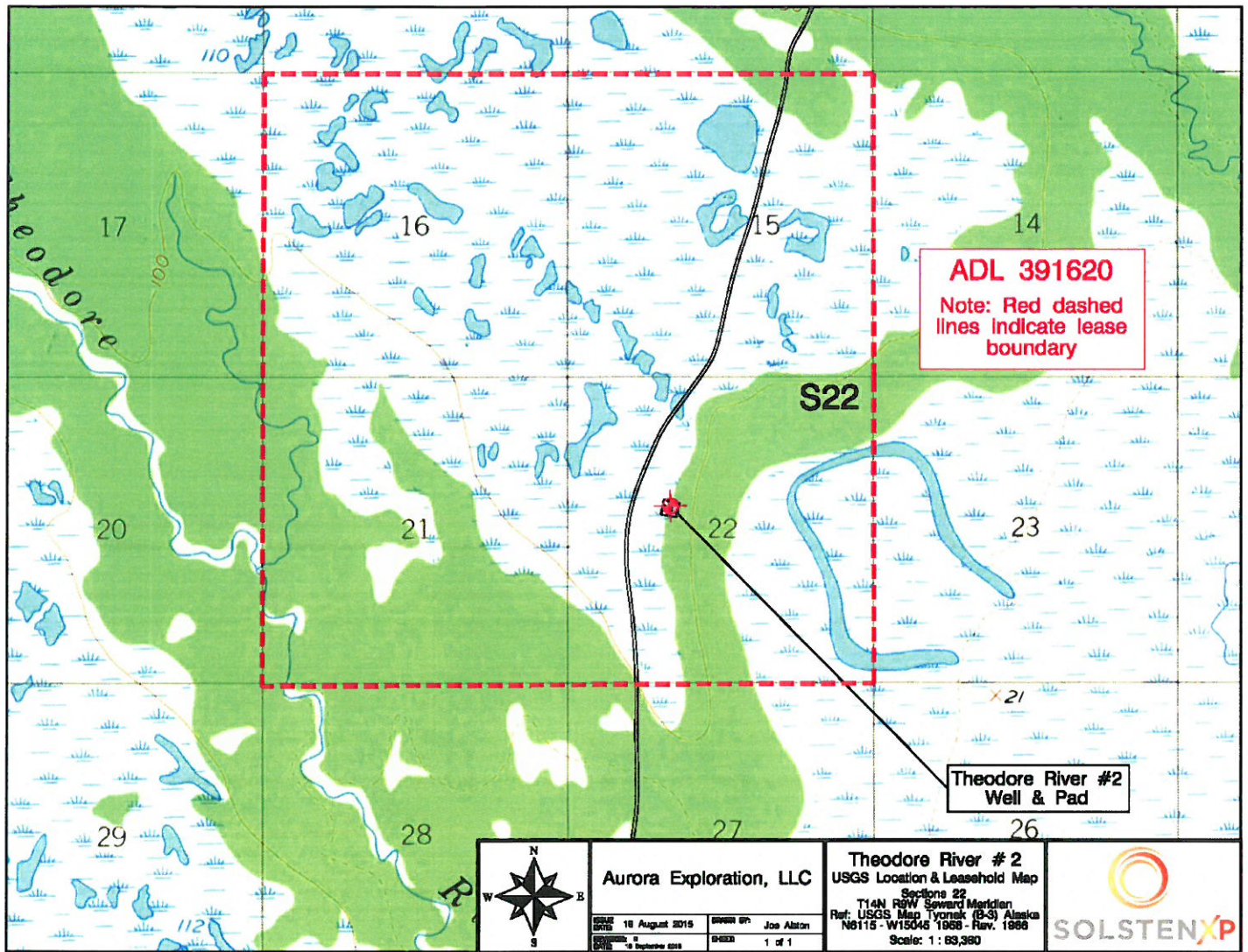
Attachments:

Appendix A: Maps and Figure(s)

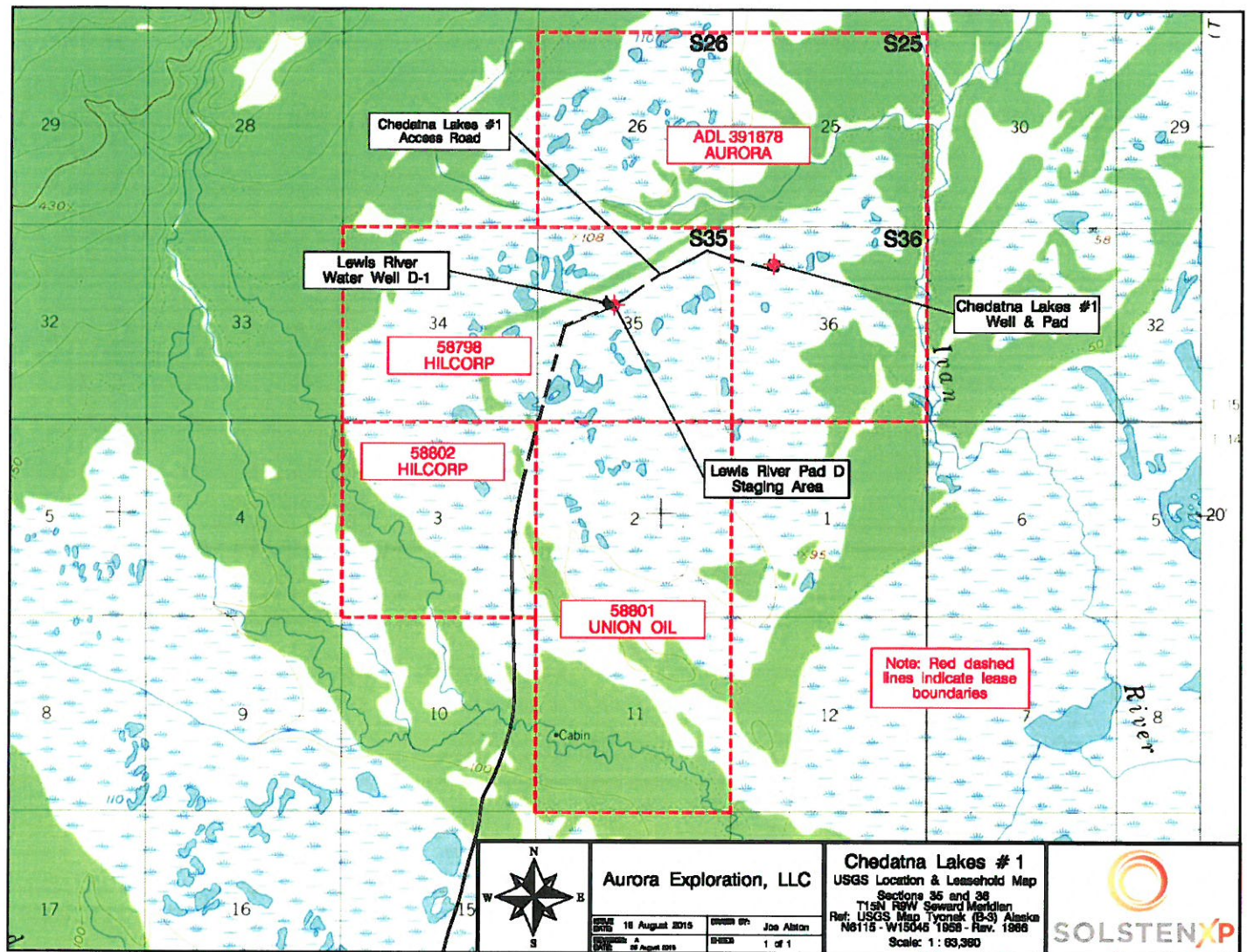
ecc: DOG: Kyle Smith
DMLW: Cliff Larson, Eric Moore, Henry Brooks, James Sowerwine
ADFG: Marie Megan, Marla Carter, Michael Daigneault, Mark Fink
ADEC: Graham Wood, Gary Evans, Mike Evans
OPMP: Sara Longan, Jeff Bruno,
Borough: dnelson@bourough.kenai.ak.us, jblankenship@bourough.kenai.ak.us
Other: David Post (DOT), cmiller@ciri.com, smodigh@kenai.city

Appendix A





Theodore River #2 Map



Chedatna Lakes #1 Map